

Decision **PROPOSED DECISION OF ALJ ROSCOW** (Mailed 7/28/2015)

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Application of Pacific Gas and Electric  
Company for Approval of 2013-2014  
Statewide Marketing, Education and  
Outreach Program and Budget. (U39M).

Application 12-08-007  
(Filed August 2, 2012)

And Related Matters.

Application 12-08-008  
Application 12-08-009  
Application 12-08-010

**DECISION ON BRIDGE FUNDING FOR POST-2015 STATEWIDE  
MARKETING, EDUCATION, AND OUTREACH ACTIVITIES**

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## **DECISION ON BRIDGE FUNDING FOR POST-2015 STATEWIDE MARKETING, EDUCATION, AND OUTREACH ACTIVITIES**

### **Summary**

This decision authorizes 2016 bridge funding to enable the Center for Sustainable Energy to continue to implement the Statewide Marketing and Outreach Plan authorized in Decision 13-12-038, in the same manner and under the same governance structure as authorized in that decision.

This proceeding remains open to consider additional issues.

### **1. Background and Procedural History**

In Decision (D.) 13-12-038, the Commission adopted a statewide marketing, education, and outreach (ME&O) plan for residential and small business energy management, to extend through the end of 2015. The Commission directed the Center for Sustainable Energy (CSE) to implement the ME&O plan that it had submitted in the proceeding, with certain modifications, and determined budget allocations for the 2014-2015 implementation period. The Commission anticipated that the scope for the post-2015 statewide ME&O program would be decided in an upcoming energy efficiency rulemaking.

The issue of post-2015 statewide ME&O is currently included in the scope of Rulemaking (R.) 14-10-003, the Commission's "Order Instituting Rulemaking to Create a Consistent Regulatory Framework for the Guidance, Planning, and Evaluation of Integrated Demand-Side Resource Programs." However, at this time it appears unlikely that this issue will be addressed in that proceeding before the end of 2015. Practically speaking, the questions of what statewide ME&O activities will take place post-2015, how they will be implemented, and how they will be funded, must all be addressed by the Commission in some other proceeding before the end of 2015.

The March 6, 2015 Scoping Memo and Ruling of the assigned Commissioner and Administrative Law Judge (ALJ) (March 6 Scoping Memo) in the instant proceeding determined that the scope of Phase 2 of this proceeding shall include the post-2015 implementation and funding of the statewide marketing, education, and outreach plan adopted by the Commission in Decision (D.) 13-12-038. Specifically, the March 6 Scoping Memo determined that this proceeding would consider “bridge funding” and related activities for statewide marketing, education and outreach in 2016, including what activities will take place, by whom they will be implemented, how they will be funded and for what duration.<sup>1</sup>

The March 6 Scoping Memo invited CSE to provide preliminary information, to be commented upon by parties in Prehearing Conference (PHC) Statements, regarding the possibility of providing bridge funding for continuation of the statewide marketing, education and outreach activities currently administered by CSE. Specifically, CSE and other parties were encouraged to file and serve PHC statements providing responses to the following questions:

1. Should the Commission direct CSE to continue to be responsible for implementing the currently-effective statewide marketing, education, and outreach plan throughout 2016 or until a decision on statewide ME&O is adopted in R.14-10-003, whichever comes later? Why or why not?

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<sup>1</sup> Phase 1 of this proceeding is considering possible funding sources and program administrators for the Flex Alert program beginning in 2016. Those issues will be addressed by the Commission in a separate Decision.

2. Should the Commission provide additional interim funding for implementation of statewide marketing, education, and outreach, set at the level adopted by the Commission in D.13-12-038? Why or why not? Should the Commission leave in place the current oversight and approval process for statewide marketing, education and outreach activities as adopted in D.13-12-038? Why or why not?
3. Please provide a proposed procedural schedule for development of the record, and any necessary subsequent procedural steps, that will allow for a Commission decision by September 2015 on what statewide ME&O activities will take place post-2015, how they will be implemented, and how they will be funded.

CSE filed its comments on March 20, 2015. PHC statements were filed on April 6, 2015, by San Diego Gas & Electric Company (SDG&E) and Southern California Gas Company (SoCalGas) (Joint Utilities), Southern California Edison Company (SCE), Pacific Gas & Electric Company (PG&E), Latino Business Chamber of Greater Los Angeles and the National Asian American Coalition (jointly, hereinafter “Joint Parties”), The Greenlining Institute (Greenlining), The Utility Reform Network (TURN), The San Francisco Bay Area Regional Energy Network (BayREN), and Marin Clean Energy (MCE). The PHC took place April 16, 2015.

The April 22, 2015 Amended Scoping Memo and Ruling of assigned Commissioner Peterman determined that based on the responses provided in parties’ PHC statements and further discussion at the PHC, no further record development is necessary to support a Commission decision on whether or not to grant one year of additional bridge funding to CSE, at the currently-approved average annual funding level. The schedule in this proceeding was modified to

direct the assigned ALJ to proceed directly to drafting a proposed decision by July 27, 2015 based on the existing record.

## **2. The Center for Sustainable Energy's Proposal**

In its March 20, 2015 Comments, CSE recommends that the Commission direct CSE to continue to be responsible for implementing the statewide ME&O program authorized by D.13-12-038 throughout 2016 or until a decision on statewide ME&O is adopted in R.14-10-003, whichever comes later. CSE recommends that the Commission leave in place the current funding level, as well as the oversight and approval process for statewide ME&O activities as adopted in D.13-12-038.

## **3. Positions of the Parties**

Parties' responses to each of the substantive questions posed in the March 6 Scoping Memo are summarized below.

### **3.1. Should the Commission direct the CSE to continue to be responsible for implementing the currently-effective statewide ME&O plan throughout 2016 or until a decision on statewide ME&O is adopted in R.14-10-003, whichever comes later?**

In its March 20, 2015 Comments, CSE states that an extension of at least 12 months is necessary in order to maintain the health of the State's new brand, maintain continuity of statewide ME&O campaigns, and preserve our gains in increasing engagement with the Energy Upgrade California tools and channels, including online education tools, social media, community-based organizations, mobile education and outreach, retail and experiential events. CSE states that it will not be able to secure contracts with marketing and communications agencies if it cannot offer a contract term of at least 12 months. Indeed, CSE also "strongly

supports an extension that lasts the longer of 12 months (through 2016) or until a decision on statewide ME&O is adopted in R.14-10-003” because if a new decision on statewide ME&O is not adopted by the end of 2016, then CSE would be confronted with another gap between implementation periods at that time, raising issues similar to those being considered in this bridge decision.<sup>2</sup>

The Joint Utilities believe it is reasonable for the Commission to authorize the temporary extension of current statewide ME&O implementation through the end of 2016 at the latest, in order to avoid disruptions to the statewide ME&O activities. However, the Joint Utilities do not support an extension to CSE beyond 2016 as requested, without the benefit of a thorough review of the current program and its implementation. The Joint Utilities also note that the Commission awarded CSE the implementation of statewide ME&O without conducting a competitive bidding process, and thus recommend that the Commission develop a record on the benefits of an open solicitation for Program Year (PY) 2017 and onward.<sup>3</sup>

SCE recommends that the Commission direct the investor-owned utilities to contract with CSE to continue to implement statewide ME&O in 2016, with a solicitation process for post-2016 activities in R.14-10-003.<sup>4</sup>

PG&E supports the continuation of the statewide campaign ME&O during 2016 with CSE if CSE provides additional information with a more detailed plan for 2016 plans to justify authorization of \$21.4 million in rate payer funds. For the period beginning 2017 and beyond, continuation should be determined based

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<sup>2</sup> CSE Comments at 5.

<sup>3</sup> Joint Utilities PHC Statement at 5-6.

<sup>4</sup> SCE PHC Statement at 11-12.

on analysis of campaign performance during 2014 and 2015 in an appropriate proceeding.

The Joint Parties support an interim solution whereby the Commission directs CSE to continue to be responsible for implementing the Commission's current statewide ME&O plan.

TURN supports the Commission directing CSE to continue to be responsible for statewide ME&O throughout 2016 or until a decision on statewide ME&O is adopted in R.14-10-003, whichever comes later. TURN recommends that CSE's statewide ME&O efforts should be fully evaluated in the context of R.14-10-003 before a determination on the future of the program beyond year-end 2016 is made.

Greenlining supports CSE's recommendation that the Commission continue to fund the statewide ME&O program at the current funding level throughout 2016 or until a decision on statewide ME&O is adopted in R.14-10-003, whichever comes later. Greenlining suggests that this is necessary "in order to avoid significant disruption to the newly created brand, ME&O campaigns and events, and to maintain existing relationships between CSE, the utilities, local workforce, community organizations, and small businesses." Greenlining notes that shorter bridge periods increase the likelihood of multiple bridge periods and attendant filings, and restrict operating flexibility.<sup>5</sup>

MCE believes it is prudent to provide CSE with clear authority and consistent funding to continue administering the Energy Upgrade California

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<sup>5</sup> Greenlining PHC Statement at 2.



campaign post-2015 throughout 2016 or until a decision on statewide ME&O is adopted in R.14-10-003, whichever comes later.

**3.2. Should the Commission provide additional interim funding for implementation of statewide ME&O set at the level adopted by the Commission in D.13-12-038?**

In its March 20, 2015 Comments, CSE requests interim funding at the level set by the Commission in D.13-12-038: “for example, if this implementation period continues for an additional 12 months after year-end 2015, then the budget for this extension period would be 50% of the budget authorized in D.13-12-038 for the two-year period of 2014-2015.”<sup>6</sup> CSE also provides a summary of the current annual budget, as adjusted, reallocated and approved by Energy Division on October 31, 2014, pursuant to procedures established in D.13-12-038.<sup>7</sup> According to CSE, this funding level is consistent with past decisions, as well as necessary to maintain the health of the State’s new Energy Upgrade California brand, maintain continuity of statewide ME&O campaigns, and preserve recent gains in increasing ratepayer and stakeholder engagement with the Energy Upgrade California tools and channels.

The Joint Utilities support CSE’s interim funding request to avoid a gap between the point when current statewide ME&O activities are scheduled to end in 2015 and the continuation of those activities in some capacity in 2016. However, the Joint Utilities do not believe CSE Comments provides a sufficient basis for their requested funding levels for 2016. Once the Commission

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<sup>6</sup> CSE Comments at 9.

<sup>7</sup> CSE Comments at 10.

determines the appropriate 2016 funding level, the Joint Utilities propose to utilize the funding mechanism adopted in D.13-12-038 as the source of funding, including any available unspent pre-2016 statewide ME&O funds for continued statewide ME&O activities in 2016. Thus, the Joint Utilities recommend that the Commission should also approve the specific funding allocations to be collected by each utility.

SCE recommends that the Commission require CSE to provide a detailed submittal of its proposed activities and funding requirements for 2016.

PG&E states that CSE should provide additional information with a more detailed plan for 2016 in order to justify authorization of another year of ratepayer funding.

The Joint Parties support additional Commission funding for either 2016 or when a decision on statewide ME&O is adopted in R.14-10-003.

TURN supports CSE's request for interim funding at the level set by the Commission in D.13-12-038: 50% of the originally authorized budget.<sup>8</sup>

The BayREN does not oppose CSE's request for bridge funding as long as the amount is at an annualized rate and that the budget is limited to a twelve- month extension period. BayREN states that continued funding should not be provided until the results of an Evaluation, Measurement & Verification (EM&V) research study anticipated in 2015 have been released and evaluation of effectiveness concluded.

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<sup>8</sup> TURN PHC Statement at 3.

**3.3. Should the Commission leave in place the current oversight and approval process for statewide ME&O activities as adopted in D.13-12-038?**

In its March 20, 2015 Comments, CSE recommends continuing the current statewide ME&O governance structure; CSE states that this structure was tailored to support the division of responsibilities set forth in D.13-12-038. According to CSE, coordination between CSE and the Commission has improved over time. CSE and the Commission staff have developed and implemented effective procedures and scheduled regular meetings and calls to increase efficiency and share information. Coordination of local, regional, and statewide marketing efforts, messaging, and tactics among CSE, the utilities and the RENs has also continued to improve.<sup>9</sup>

The Joint Utilities do not recommend changing the current oversight and approval process (i.e., the governance structure) for statewide ME&O during the bridge year, but believe that it should be taken up in tandem with the evaluation of the continued statewide ME&O program administration and/or open solicitation for contracting with a program implementer for program years 2017 and beyond.<sup>10</sup>

SCE recommends that the Commission modify the existing oversight structure, such that modifications are made to the EM&V Project Coordination Group (PCG) process “to engage additional expertise and optimize the technical value of the evaluations which is a core purpose of the PCGs. In particular, SCE recommends that the Commission appoint an independent EM&V consultant to

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<sup>9</sup> CSE Comments at 12.

<sup>10</sup> Joint Utilities PHC Statement at 7.

support the ongoing development of the roadmap and monitoring of the studies.”<sup>11</sup>

TURN recommends continuing the current statewide ME&O governance structure set forth in D.13-12-038: “this governance structure provides for an appropriate level of Commission oversight and stakeholder involvement.”<sup>12</sup>

Greenlining supports leaving the current oversight and approval process in place during the bridge period. Greenlining states that while it believes that progress has been made, “CSE still has much work to do to fully reach the Commission’s stated goals for statewide ME&O and reach all California communities.” Greenlining is working with CSE and the utilities in order to identify and address barriers to achieving the goals for the program by providing input on: 1) coordination of local and statewide efforts to address the needs of communities of color; 2) strategies to educate hard-to-reach communities; and 3) how to properly direct customers of all income levels to the appropriate energy programs and opportunities. According to Greenlining, it is premature to decide whether there are barriers that exist due to the governing structure of the program, and Greenlining is committed to continued engagement with CSE, the utilities, and Commission staff to ensure the success of the statewide ME&O program.<sup>13</sup>

#### **4. Discussion**

The thorough comments filed by parties and the robust discussion of those comments at the April 16, 2015 PHC in this proceeding provide a sufficient

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<sup>11</sup> SCE PHC Statement at 14.

<sup>12</sup> TURN PHC Statement at 3.

<sup>13</sup> Greenlining PHC Statement at 3-4.

record for the Commission's decision on post-2015 bridge funding and activities for statewide marketing, education and outreach, including what activities will take place, by whom they will be implemented, how they will be funded and for what duration.

Based on the record before us, we conclude that CSE should continue the activities that the Commission authorized it to conduct in D.13-12-038: implement the Statewide Marketing and Outreach Plan authorized in that decision, in the same manner and under the same governance structure as authorized in that decision. CSE should continue in its current role, at the current annual funding level, through the end of 2016. As explained below, based on comments on the proposed decision we have modified the proposed decision to establish a third phase of this proceeding to address the future of this program from 2017 onward.

First, we conclude that CSE should continue to be responsible for implementing our currently-in-effect statewide ME&O plan. After considering comments of the parties, we also conclude that CSE should remain in this role for a period defined as the later of the end of 2016 or until a decision in this proceeding addresses the future of statewide ME&O. However, we agree with recommendations made in parties' PHC statements and in comments on the proposed decision that the Commission should develop a record on the benefits of conducting an open competitive solicitation to award the responsibility for implementation of the statewide ME&O program beginning in 2017. This should be done in a third phase of this proceeding.

While the third phase of this proceeding is pending, in order to maintain continuity of the program we also direct that if a decision in this proceeding is not reached by May 1, 2016, CSE should file a Tier 2 Advice Letter by June 1,

2016 requesting an additional 6 months of funding for January through June, 2017. The Advice Letter should include a showing that CSE has met the metrics as reflected in D.13-12-038, CSE's Advice Letter 49-A, and any other interim advice letters, as well as proposed updated metrics for the program for the next 12 months (January 1, 2017 to December 31, 2017). This process should continue for every six-month period until the Commission adopts a decision addressing the future of statewide marketing, education and outreach. Approval of these interim funding Advice Letters will be contingent on CSE meeting the targets specified in D.13-12-038, in CSE's Advice Letter 49-A, and in any follow up interim advice letters.

Second, we conclude that the Commission should provide additional interim funding for implementation of statewide ME&O at the same level adopted by the Commission in D.13-12-038.<sup>14</sup> No party made convincing arguments otherwise, and our review of the record indicates that CSE is meeting its commitments and managing our adopted budget responsibly.

We authorize a 12-month budget totaling \$23,675,034. This is one-half the 2014-2015 budget provided to the Commission by PG&E, SCE, SDG&E, SoCalGas and CSE in compliance with Ordering Paragraph 16 of D.13-12-038.<sup>15</sup> The 2016 utility-specific budgets authorized in this decision are shown below:

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<sup>14</sup> See D.13-12-038, Ordering Paragraphs 5, 7, 10, and 10 for PG&E, SCE, SDG&E, and SoCalGas, respectively.

<sup>15</sup> See January 10, 2014 letter from PG&E to Edward Randolph, Director of the Commission's Energy Division, Attachment 1, "SW ME&O Budget True Up," Table titled "2014-2015 SW ME&O Budget", column labeled "Authorized ME&O in D.13-12-038".

	Statewide ME&O Authorized in D.13-12-038	Annualized Budget Authorized for 2016
PG&E	\$22,000,000	\$11,000,000
SCE	\$15,400,000	\$7,700,000
SDG&E	\$5,946,000	\$2,973,000
SoCalGas	\$4,004,067	\$2,002,034
Total	\$47,350,067	\$23,675,034

As we noted above, Joint Utilities propose continued utilization of the funding mechanism adopted in D.13-12-038 as the source of funding, adjusted for any available unspent pre-2016 statewide ME&O funds. In comments on the proposed decision, CSE offered a convincing argument that any unspent funds should be available to CSE in 2016. Therefore, the budgets we authorize above should be adjusted (i.e., increased) to roll over any available unspent pre-2016 statewide ME&O funds. Following the same procedure we adopted in D.13-12-038, the utilities should work with CSE and provide updated budget information, as described in this Decision, in a letter to the Commission's Energy Division within 21 days of the issuance of this decision.

Third, we conclude that the current oversight and approval process for statewide ME&O activities, as adopted in D.13-12-038, should be left in place. Again, no party made convincing arguments otherwise, and our review of the record indicates that CSE takes seriously both its role as implementer of the program we adopted in D.13-12-038, and its responsibility to honor the stakeholder process we adopted in that decision. However, we add two requirements below that we expect will further enhance our oversight.

As one requirement, reflecting discussions at the PHC, we direct CSE to develop a 15-month Integrated Communications Plan based on the process that

has already been set in motion by Commission staff.<sup>16</sup> Following the procedures we adopted in D.13-12-038, Commission staff has solicited input from the stakeholders in this proceeding to arrive at a consensus regarding which energy management topics should be prioritized with respect to spending on marketing. The 15-month Plan should cover the period October 1, 2015 to December 31, 2016. Commission staff is directed to revisit the Plan at the halfway point in March 2016 as part of the quarterly stakeholder meeting process we adopted in D.13-12-038, in order to assess whether any changes are necessary in the Plan for the second half of the period.

As a second requirement, we note that the results of the ME&O evaluation of statewide, utility and Regional Energy Network (REN) marketing activities that is now underway for CSE, the IOUs, and the RENs will be completed by the end of 2015. We expect the interim results of this evaluation that become available in the meantime to inform the 15-month Integrated Communications Plan we require above. This would be consistent with our direction in D.13-12-038.<sup>17</sup>

## **5. Comments on Proposed Decision**

The proposed decision of the ALJ in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on August 17, 2015 by CSE, PG&E, SCE, the Joint Utilities, ORA and TURN, and reply comments were filed on August 24, 2015 by CSE, PG&E, the Joint Utilities, ORA and Greenlining.

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<sup>16</sup> RT at 76-78, 81-83, 85.

<sup>17</sup> D.13-12-038 at 72.



Pursuant to Rule 14.3 (c), comments shall focus on factual, legal or technical errors in the proposed decision and in citing such errors shall make specific references to the record or applicable law. Comments which fail to do so will be accorded no weight. Comments proposing specific changes to the proposed or alternate decision shall include supporting findings of fact and conclusions of law. Parties' extensive comments on the proposed decision suggested a number of useful clarifications, and, as noted below, resulted in three substantive changes to the proposed decision.

In its comments, CSE makes two requests. First, CSE requests that the proposed decision be revised to clarify that the deadline for entering into the contract extensions provided for in the decision is 30 days after the issuance of this decision, and 30 days after approval of any advice letter filed by CSE requesting an additional six months of funding in accordance with this decision. Second, CSE requests that the proposed decision be revised to allow that unspent pre-2016 statewide ME&O funds may be rolled over into 2016 spending. CSE explains that the 15-month Integrated Communications Plan that it is developing for Q4 2015 through the end of 2016 is designed with one 15-month budget, rather than with separate budgets for the last 3 months of 2015 and calendar year 2016. For this reason, requiring CSE to spend all of the 2014-2015 funds by the end of calendar year 2015 would require changes to the Integrated Communications Plan and would dilute the impact of these funds. PG&E opposes this request; however, based on the explanations provided in CSE's comments, both requests by CSE are reasonable and the proposed decision has been modified accordingly. The modification to allow rollover of funding is a substantive revision to the proposed decision.

PG&E states that the proposed decision should be revised to clarify that the utilities can recover the full amount of the CSE contract in 2016 rates, less unspent statewide marketing funds, and to clarify that the bridge funding authorized for 2016 and, if necessary, 2017, is in addition to the funding previously awarded for the statewide energy efficiency finance pilots. PG&E explains that subsequent to the Commission's adoption of D.13-12-038, the Commission approved Resolution E-4663, which required the utilities to allocate up to \$8 million in finance marketing funds to CSE.<sup>18</sup> CSE has conducted initial work on the financing pilots, but much of the budget allocated to CSE remains unspent. Thus, for the purposes of clarity, PG&E requests the final decision be modified to indicate that the bridge funding awarded to CSE is in addition to the funding awarded to CSE in Resolution E-4663, and that the EE finance pilot program funding may continue to be used for the financing pilots in 2016 and 2017. CSE agrees with this suggestion.<sup>19</sup> These modifications have been made to the proposed decision, albeit modified to be consistent with CSE's request that unspent statewide marketing funds may be rolled over, instead of being used to reduce the utilities' revenue requirements as had been stated in the proposed decision.

SCE recommends that the proposed decision be modified to clarify whether a continuation for EM&V funding is necessary in 2016 and to clarify that SCE's 2016 total budget includes demand response funding for statewide ME&O activities. First, SCE suggests that funding for EM&V in 2016 is unnecessary because the proposed decision states that the ME&O evaluation "will be

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<sup>18</sup> PG&E cites Resolution E-4663 at 11.

<sup>19</sup> CSE Reply Comments at 4.

completed by the end of 2015.” Therefore, SCE requests that the proposed decision be revised to remove the EM&V funding for post-2015 and reduce SCE’s authorized funding accordingly. PG&E disagrees with SCE, stating that since CSE will be continuing its statewide ME&O activities until the end of 2016, CSE’s work should be subject to EM&V for calendar year 2016. CSE also requests that the Commission retain the EM&V budget and require an independent evaluation for program year 2016, stating “independent EM&V is important for providing transparency to the Commission and stakeholders, as well as helping us track the progress of our efforts and see consistent patterns over time.”<sup>20</sup> We agree with PG&E and CSE, and have left EM&V funding in place for 2016.

In its comments, SCE also explains that D.13-12-038 authorized SCE budgets of \$6.1 million per annum in energy efficiency and \$1.6 million per annum in demand response. SCE requests that the proposed decision be revised to clarify that the total funding also includes ME&O activities related to demand response, consistent with the guidance in D.13-12-038. Based on the explanations provided in its comments, this request is reasonable and the proposed decision has been modified accordingly.

The Joint Utilities recommend that the proposed decision should be revised to (1) conclude that CSE’s administration of ratepayer funds should be subjected to the same oversight that is imposed on the use of ratepayer funds by other program administrators; (2) provide that, prior to making a decision regarding CSE’s continuation as implementer, the Commission should conduct a financial and management audit of the statewide ME&O program similar to that

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<sup>20</sup> *Ibid.*

which is required of the utilities, with the same rigor, followed by a public report; and, (3) provide that the Commission will develop a record on the benefits of an open solicitation for PY 2017 and onward in this proceeding.<sup>21</sup>

The Joint Utilities' first and second recommendations were addressed in reply comments filed by CSE, ORA and Greenlining. CSE explains "the high degree of transparency that CSE has provided in accordance with and beyond the requirements of Decision 13-12-038," noting that "these transparency requirements are specific to the statewide ME&O efforts of Energy Upgrade California and have not been applied to the utilities' ME&O efforts."<sup>22</sup> ORA notes that, although it recommended ongoing reviews and evaluation of CSE's 2016 activities in its opening comments, "to date, CSE has appropriately shared information about program operations with other parties, while Energy Division has closely controlled their budgets and spending. Therefore, we recommend that the Commission extend funding for 2016 without implementing Joint Utilities' proposed additional accountability measures."<sup>23</sup> Greenlining notes that "the scope of this current proceeding does not include re-evaluation and change to the authorized EUC governance structure and to CSE's plans and implementation process" and that the Joint Utilities appear to be requesting that the Commission create a process which was not contemplated in D.13-12-038, but have not shown any evidence for an immediate need of a financial and

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<sup>21</sup> TURN also recommends that CSE's statewide ME&O efforts should be fully evaluated before a determination on the future of the program after the end of 2016 is made, and that the Commission should ensure that the statewide ME&O program will be fully evaluated in a proceeding in the near future.

<sup>22</sup> CSE Reply Comments at 2.

<sup>23</sup> ORA Reply Comments at 2, emphasis added.

management audit.<sup>24</sup> Greenlining urges the Commission to reject the Joint Utilities' recommendation. We agree with the reasoning offered by CSE, ORA and Greenlining. The proposed decision is clear regarding the reasons for the bridge funding and for CSE continuing in its current role. There is no reason to change the extensive oversight and evaluation processes that the Commission adopted in D.13-12-038.

Joint Utilities' third recommendation is that the Commission should develop a record on the benefits of an open solicitation for PY 2017 and onward in this proceeding. In its reply comments CSE agrees, stating that it "strongly supports open solicitations" and suggests that the proposed decision be revised to note that many parties prefer an open solicitation for 2017 and beyond.<sup>25</sup> The proposed decision has been revised to direct that as part of the scope of the post-2016 phase in this docket, the Commission shall develop a record on the benefits of an open solicitation for 2017 and onward in this proceeding.<sup>26</sup> This is a substantive revision to the proposed decision.

TURN notes in its comments that it is uncertain whether the issue of statewide ME&O will be addressed in R.14-10-003, as was anticipated in the proposed decision. To resolve this uncertainty, the proposed decision has been revised so that questions regarding the post-2016 statewide ME&O program shall be addressed in a third phase of the instant proceeding, instead of in R.14-10-003. This is a substantive revision to the proposed decision. TURN also

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<sup>24</sup> Greenlining Reply Comments at 2.

<sup>25</sup> CSE Reply Comments at 3.

<sup>26</sup> The proposed decision has also been revised to clarify that Joint Utilities made the same recommendation in their April 6, 2015 PHC statement, as did SCE.

suggests revisions to the Advice Letter process described in the proposed decision that may be used by CSE to request funding for 2017. TURN's suggestions are reflected in revisions to the proposed decision.

## **6. Assignment of Proceeding**

Carla J. Peterman is the assigned Commissioner and Stephen C. Roscow is the assigned ALJ in this proceeding.

## **Findings of Fact**

1. In D.13-12-038, the Commission adopted a statewide ME&O plan for residential and small business energy management, to extend through the end of 2015.

2. In D.13-12-038, the Commission directed the CSE to implement the ME&O plan that it submitted in the proceeding, with certain modifications, and determined budget allocations for the 2014-2015 implementation period.

3. In D.13-12-038, the Commission approved a two-year budget for the statewide ME&O plan for 2014-2015 of \$42,785,231.

4. In D.13-12-038, the Commission anticipated that the scope for the post-2015 statewide ME&O program would be decided in an upcoming energy efficiency rulemaking.

5. The issue of statewide ME&O is now included in the scope of R.14-10-003, the Commission's "Order Instituting Rulemaking to Create a Consistent Regulatory Framework for the Guidance, Planning, and Evaluation of Integrated Demand-Side Resource Programs" but the schedule of that Rulemaking indicates that the questions of what statewide ME&O activities will take place post-2015, how they will be implemented, and how they will be funded, must all be addressed by the Commission in some other proceeding before the end of 2015.

6. CSE is responsibly meeting its commitments and managing its previously-adopted budget.

7. There is no evidence that the current funding level for statewide ME&O activities that was adopted in D.13-12-038 should be discontinued or changed in 2016.

8. There is no evidence that the Commission should not leave in place the oversight and approval process for statewide ME&O activities that the Commission adopted in D.13-12-038.

9. The results of the ME&O evaluation of statewide, utility and REN marketing activities that is now underway for CSE, the IOUs, and the RENs will be completed by the end of 2015.

### **Conclusions of Law**

1. The Commission should address questions regarding what statewide ME&O activities will take place post-2015, how they will be implemented, and how they will be funded in this proceeding.

2. The Commission should direct the Center for Sustainable Energy to continue to be responsible for implementing the currently-in-effect statewide ME&O plan, either through the end of 2016 or until a decision in this proceeding addresses the future of statewide ME&O, whichever comes later.

3. The Commission should provide interim funding for implementation of statewide ME&O beginning in 2016, set at the annualized level adopted by the Commission in D.13-12-038.

4. The Commission should develop a record on the benefits of an open solicitation for 2017 and onward in this proceeding.

5. If the Commission does not make a decision in this proceeding regarding the post-2016 statewide ME&O program before May 1, 2016, CSE should file a

Tier 2 Advice Letter by June 1, 2016, requesting an additional 6 months of funding for January through June, 2017. The Advice Letter should include a showing that CSE has met the metrics adopted in D.13-12-038, CSE's Advice Letter 49-A, and any other interim advice letters, and should include proposed updated metrics and targets. Approval of the Advice Letter should be contingent on CSE meeting the targets specified in D.13-12-038, in CSE's Advice Letter 49-A, and in any follow up interim advice letters. This process should continue for every six-month period until the Commission adopts a decision addressing the future of statewide marketing, education and outreach.

6. For PG&E, total funding and direct expenses of \$11,000,000 should be authorized for 2016, but adjusted to include any available unspent pre-2016 statewide ME&O funds.

7. For PG&E, the cost recovery proposals authorized in D.13-12-038 should remain in effect.

8. For SCE, a budget of \$7,700,000 per year in energy efficiency statewide ME&O activities should be authorized for 2016, but adjusted to include any available unspent pre-2016 statewide ME&O funds.

9. For SCE, the authorization in D.13-12-038 to include authorized statewide ME&O funding in its Public Purpose Programs Adjustment Mechanism so that is collected in 2016 through Public Purpose Programs Charge rates should remain in effect.

10. The recorded operation of SCE's proposed Statewide ME&O Balancing Account should continue to be reviewed and verified by the Commission in SCE's annual Energy Resource Recovery Account Review application to ensure that the costs recorded are stated correctly and are consistent with a final decision issued in this proceeding.



11. For SDG&E, funding in the amount of \$2,973,000 to support SDG&E's portion of the statewide ME&O program activities should be authorized for 2016, but adjusted to include any available unspent pre-2016 statewide ME&O funds.

12. For SDG&E, the cost recovery mechanism authorized in D.13-12-038 should remain in effect.

13. For SoCalGas, funding to support its portion of the statewide ME&O program activities in the amount of \$2,002,035 should be authorized for 2016, but adjusted to include any available unspent pre-2016 statewide ME&O funds.

14. For SoCalGas, its authorization in D.13-12-038 to recover the costs of the statewide ME&O Program from the Gas Public Purpose Program Surcharge tariff should remain in effect.

15. The utilities and CSE should provide updated budget information for the years 2016 and 2017, consistent with the guidance provided in D.13-12-038 and Ordering Paragraph 120 of D. 12-05-015, in a letter to the Commission's Energy Division within 21 days of the issuance of this decision. Unspent 2014-2015 statewide ME&O funds shall be rolled over and added to the amounts authorized to be recovered in rates by that utility for statewide marketing, education and outreach activities in 2016 and 2017. The revised total for each utility will be the amount authorized to be recovered in rates by that utility for statewide marketing, education and outreach activities, pursuant to Ordering Paragraphs 5, 6, 7, 8, 9, and 10 of this decision.

16. The funding authorized in this Decision should be in addition to the amounts authorized by the Commission for Center for Sustainable Energy for statewide marketing, education and outreach for the energy efficiency financing pilots in Decision 13-09-044 and Resolution E-4663.

17. CSE should allocate the 2016 statewide ME&O budget according to current allocation percentages, among the existing categories of Marketing, Education, Outreach, Research, EM&V, CSE administrative expenses, and investor-owned utilities administrative expenses.

18. The Commission should leave in place the current oversight and approval process for statewide marketing, education and outreach activities as adopted in D.13-12-038.

19. CSE should continue to serve as the statewide ME&O program implementer, as described in D.13-12-038, under a contract entered into with PG&E within 30 days of the date of this decision, and within 30 days of approval of any advice letter filed by CSE requesting an additional six months of funding in accordance with this decision.

20. PG&E should continue to serve as the fiscal manager for the contract with CSE.

21. In its role as the fiscal manager for the contract with CSE, PG&E should not have control over CSE's design of or modifications to the statewide ME&O program.

22. CSE should continue to be independently responsible to the Commission for delivering the results of the statewide ME&O program.

## **O R D E R**

### **IT IS ORDERED** that:

1. For the post-2015 statewide marketing, education, and outreach campaign, Pacific Gas and Electric Company, on behalf of itself, Southern California Edison Company, San Diego Gas & Electric Company, and Southern California Gas Company, shall amend its current contract with the Center for Sustainable

Energy (CSE) within 30 days of the date of this decision so that CSE may continue to implement the program established in Decision 13-12-038 in 2016.

2. The Center for Sustainable Energy shall continue to be responsible for implementing the currently-in-effect statewide marketing, education, and outreach (ME&O) plan, either through the end of 2016 or until a decision in this proceeding addresses the future of statewide ME&O, whichever comes later.

3. The assigned Commissioner in this proceeding shall initiate a process to develop a record on the benefits of an open solicitation for 2017 and onward.

4. Pacific Gas and Electric Company shall serve as the fiscal manager for the contract with Center for Sustainable Energy without exercising control over design of or modifications to the statewide Marketing, Education, and Outreach program. Those approvals are the purview of the Commission and the California Energy Commission.

5. Total funding of \$11,000,000 for statewide Marketing, Education, and Outreach in 2016 is authorized for Pacific Gas and Electric Company.

6. Total funding of \$7,700,000 in energy efficiency statewide marketing, education, and outreach (ME&O) activities in 2016, including ME&O activities related to demand response consistent with the guidance in D.13-12-038, is authorized for Southern California Edison Company.

7. Southern California Edison Company shall include the authorized Statewide Marketing, Education, and Outreach 2016 funding in the Public Purpose Programs Adjustment Mechanism to be collected through Public Purpose Programs Charge rate levels.

8. Southern California Edison Company shall submit for review and verification the recorded operation of its Statewide Marketing, Education, and Outreach Balancing Account in its annual Energy Resource Recovery Account

Review application to ensure that the costs recorded are stated correctly and are consistent with this decision.

9. Total funding of \$2,973,000 for Energy Efficiency statewide Marketing, Education, and Outreach in 2016 is authorized for San Diego Gas & Electric Company.

10. Total funding of \$2,002,035 for Energy Efficiency statewide Marketing, Education, and Outreach in 2016 is authorized for Southern California Gas Company.

11. The funding authorized in this Decision shall be in addition to the amounts authorized by the Commission for Center for Sustainable Energy for statewide marketing, education and outreach for the energy efficiency financing pilots in Decision 13-09-044 and Resolution E-4663.

12. Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company, Southern California Gas Company, and the Center for Sustainable Energy shall provide updated budget information, adjusted to account for any available unspent pre-2016 statewide Marketing, Education, and Outreach funds as described in this decision, in a letter to the Commission's Energy Division within 21 days of the issuance of this decision.

13. If the Commission does not make a decision in this proceeding regarding the post-2016 statewide Marketing, Education, and Outreach program before May 1, 2016, the Center for Sustainable Energy (CSE) shall file a Tier 2 Advice Letter by June 1, 2016, requesting an additional six months of funding for January through June 2017. The Advice Letter shall include a showing that CSE has met the metrics adopted in Decision 13-12-038, CSE's Advice Letter 49-A, and any other interim advice letters, and should include proposed updated metrics and targets. Approval of the Advice Letter shall be contingent on CSE meeting

the targets specified in Decision 13-12-038, in CSE's Advice Letter 49-A, and in any follow-up interim advice letters.

14. Applications (A.) 12-08-007, A.12-08-008, A.12-08-009, and A.12-08-010 remain open.

This order is effective today.

Dated \_\_\_\_\_, at San Francisco, California.